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FAR EAST

1. Communist disruption of Australian industry anticipated:

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Because of the Australian Government's current preoccupation with economic problems and its desire to vindicate its recently rejected view that the Communist Party should be outlawed, the Communists will be allowed to cause "real

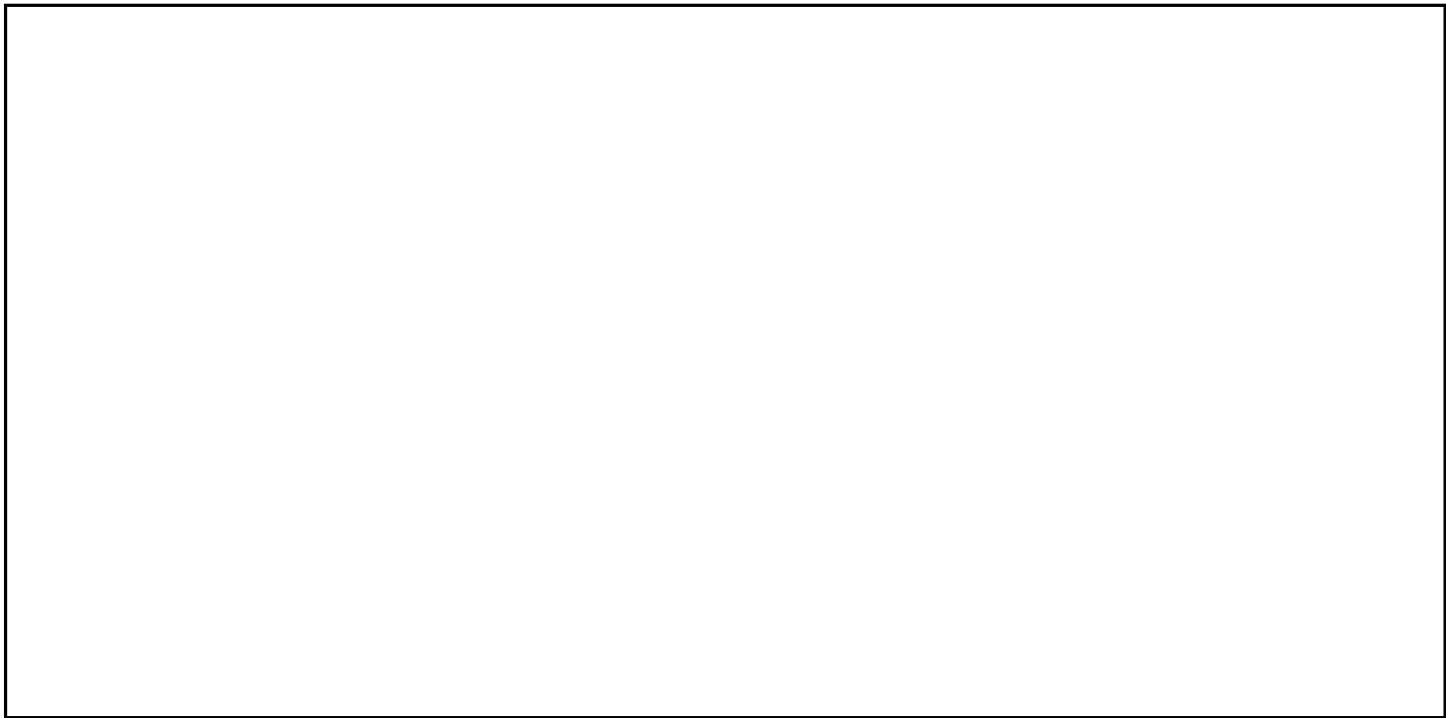
damage" to the economy before drastic countermeasures are taken, in the opinion of the US Embassy in Canberra.

Comment: The Communist-dominated unions deliberately maintained quiet on the industrial front during the campaigning prior to the anti-Communist referendum. This strategy probably played a part in the referendum's defeat.

In 1950 and early 1951, the Communists developed the "rolling strike" technique, which was admirably suited to their position in control of a number of key unions with an anti-Communist membership. This technique consisted of strategic, coordinated wild-cat strikes, stop-work meetings, and refusal to work overtime. It resulted in delays at Australian ports, reduced coal and metals production, and interrupted inland transport, all of which seriously hindered defense production.

NEAR EAST

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4. Comment on Iranian Prime Minister's statements before the UN Security Council:

Prime Minister Mossadeq's strong statements before the Security Council are consistent with his well-known attitude. His remarks were undoubtedly dictated in part by political considerations and the intense nationalistic sentiment at home. They do not necessarily rule out future, private efforts aimed at negotiated settlement.

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EASTERN EUROPE

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8. Probable Yugoslav position in General Assembly:

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In outlining tentative Yugoslav attitudes in the forthcoming General Assembly session, a Yugoslav Foreign Office official stated that Yugoslavia would be willing to consider additional measures against the aggressors in Korea if an armistice had not been concluded.

He explained that Yugoslavia has not decided upon whom it will support as its successor in the UN Security Council, but that it had not ruled out Greece as a possibility. He declared that the Yugoslav Government is strongly opposed to the election of a Cominform state to the Security Council vacancy.

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Comment: Yugoslavia supported the most recent UN action against China, the embargo resolution adopted last May. No additional measures against China have been considered by the UN since the beginning of the armistice negotiations in July.

Yugoslav UN delegate Bebler predicted to US officials in July that Czechoslovakia would be the Soviet candidate for the Yugoslav Security Council seat, but that Yugoslavia would not vote for that country.

WESTERN EUROPE

9. French seek US support for their position in North Africa:

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The French, who have been pressing for an exchange of notes with the US on "agreed principles and policies" toward French North Africa, are afraid that the Arab nationalists would use "what

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can be interpreted as any cleavage" among the three major powers to increase unrealistically their demands and thus upset Western defense lines. Only a common front among the UK, France and the US can continue to keep this area within Western influence and allow "the orderly progress toward self-government, the heart of French policy." Foreign Minister Schuman has informed the US Ambassador that, in view of the "extremely difficult foreign debates" before Parliament in early November, he needs some written assurances to point out the "solidarity" between France and the US on North Africa.

Schuman was advised that the US "was not sure" it could support the French on the Moroccan question. The US Ambassador comments that an exchange of notes and support of the French could result in a "solidly agreed" three-power "position and policy" with regard to French North Africa.

Comment: The Egyptian introduction of the Moroccan question into the UN General Assembly agenda has sharpened French anxiety concerning the US position.

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10. Franc devaluation considered likely despite French denials:

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Although the French Finance Ministry has apparently decided not to consider devaluation of the franc at this time, the US Embassy and ECA Mission in Paris warn that the developing financial "crisis" may force the French to consider such action soon. The French Government will probably defer action until after the British elections.

Devaluation itself will not check the deterioration of the franc inasmuch as "all" economic trends in France are unfavorable. The Embassy feels that "little is being done at the present time to hold the situation together." Because of their long preoccupation with electioneering, French politicians have tended to underestimate their country's economic difficulties.

Comment: The Paris black market rate for the dollar, which is a good indicator of the degree to which international financial circles and the French nation are expecting and even causing a devaluation of the franc, hovered for several weeks near 400 francs, but last week jumped to 440. The legal rate is 350 francs to the dollar.

In an effort to bolster confidence in the franc, the government has just taken several remedial steps such as increasing discount rates. In addition, liberalized regulations covering the movement of gold are reportedly under study in connection with a plan to launch a large-scale government loan by the end of the year. The growing weakness of the regime, however, will prevent the government from taking adequate measures to check inflation.

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LATIN AMERICA

12. Venezuela calm following reported revolt:

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The Venezuelan Government has announced that it has frustrated an armed plot involving attempts to assassinate civil and military authorities, to cause revolts in the armed forces, and to seize public services and arms depots. The Minister of Interior said that the plot was directed by a special committee of the outlawed Democratic Action Party assisted by members of the illegal

Communist Party. The oilfields are quiet, but there are rumors that trouble there is scheduled for some time before 18 October.

Comment: Political unrest in Venezuela has been growing since midsummer, when preparations for next spring's election of a constituent assembly began to get under way. Both right-wing and left-wing groups have been reported dissatisfied with the Junta's management of the political situation.

The government can be expected to control any further disturbances connected with the reported revolt, including those allegedly scheduled for the oilfields on 18 October, the anniversary of Democratic Action's rise to power six years ago.

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